



THE COMMONWEALTH OF MASSACHUSETTS  
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SENT ELECTRONICALLY, BY FAX AND MAIL

December 14, 2001

Mary Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, 2nd Floor  
Boston, MA 02110

**Re: Boston Edison Company, D.T.E. 01-78**

Dear Secretary Cottrell:

On December 3, 2001, pursuant to G.L. c. 164, § 1A(a), 220 C.M.R. § 11.03(4) and the Restructuring Settlement approved in *Boston Edison Company*, D.P.U./D.T.E. 96-23 (1997), Boston Edison Company ("BECo" or "Company") filed with the Department of Telecommunications and Energy ("Department") its 2001 reconciliation filing.

In its filing the Company proposes several changes to its rates resulting in an overall decrease of 5.6 percent or \$0.00753/kWh. The Company proposes to increase its average transition charge from \$0.01397 to \$0.01632 and the Energy Efficiency and Renewables charges decrease as provided by statute to \$0.00250/kWh and \$0.00050/kWh respectively. The Company proposes to increase its average transmission charge from \$0.00538 to \$0.0661, decrease its Standard Offer charge from \$0.07445 to \$0.06376 and eliminate its Default Service adjustment charge of \$0.00363/kWh. The Company requests an effective date for these changes of January 1, 2001.

On December 6, 20001 the Department issued a Notice of the Filing and Request For Comments. Pursuant to that notice, the Attorney General submits this letter as his Comments concerning the filing made by BECo.

The Company proposes to increase its transition charge by approximately 17%. While

the Standard Offer fuel cost reductions reflected in the filings will reduce the bills of customers on Standard Offer service, the Company's proposed increase in transition costs will result in rate increases for competitive supply customers. The Company's filing does not address the bill impact of its proposal on competitive supply customers.<sup>1</sup> The Department should review the impact on all customers, not just Standard Offer customers, prior to approving any increase in transition charges.

The transition charge rate is merely a mechanism to provide for the recovery of past uneconomic costs and does not provide any economic "price signal" for future behavior. The limited review period necessitated by the need to file comments, has revealed that the Company's assumptions in creating these rates have a direct impact on the requested increase in the transition charge rate. For instance, the Company forecasts year to year losses in sales from 2001 to 2002 and anticipates even greater losses in 2002. The Company has not provided any justification for its forecast.

The Attorney General urges the Department to reject any increase to the Company's transition charge that is not supported by direct evidence. In addition, given the potential impact of the increases in the transition charge on the competitive market, the Attorney General suggests that the Department review the methodology used to calculate these annual reconciliation filing as part of its review of the Company's filing.

The Attorney General continues to be concerned about the Company's increasing transmission costs--all the other electric companies are filing for decreases to their overall transmission rates. However, BECo is increasing its rate by more than 20%. As discussed in comments filed last year at this time, the Department should review charges imposed on the Company to determine that they are being recovered in an equitable manner. *See* Attorney General Initial Comments, DTE 00-82.

Although the Company is proposing a decrease in its Standard Offer rate, it intends to maintain a Standard Offer Service Fuel Adjustment ("SOSFA"). However, unlike other companies, it does not anticipate having any deferred Standard Offer costs at the end of 2001 and estimates that for most months during 2002 it will over-recover its fuel costs. Exhs. RAP-1 and RAP-2. The Attorney General is concerned that the Company be inappropriately shifting costs from the transition charge to the Standard Offer.<sup>2</sup> In addition, the Attorney General has concerns about the Company's recent twelve month Standard Offer procurement contract, which, according to the data provided, results in costs in excess of \$0.093 delivered for 2002. Exhs. RAP, pp. 10-11 and RAP-2, p. 6.

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<sup>1</sup> This increase will fall disproportionately on the commercial and industrial customers who have committed to a competitive supplier. Consideration of the interests of these customers is a especially necessary given current economic conditions.

<sup>2</sup> The Company's witness, Ms. Pelletier testifies that the Company's settlement regarding standard offer pricing requires a Standard Offer Surcharge of no less than 0.3 cents. Yet the Company has incorporated a surcharge of more than double that amount--0.75, producing a base Standard Offer charge of 4.950 cents. Exh. RAP, p. 3.

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“[T]he Department must ensure that the proposed reconciliations are consistent with or substantially comply with the Electric Utility restructuring Act, Chapter 164 of the Acts of 1997 (“Act”) the company’s approved restructuring plan, applicable law, and Department precedent.” *Boston Edison Company*, D.T.E. 98-111, p. 4 (October 19, 1999). Consistent with Department precedent, the Attorney General requests that the Department initiate a formal adjudicatory hearing process concerning BECo’s proposed reconciliations. *See Boston Edison Company*, D.T.E. 98-111 (December 31, 1998); *Boston Edison Company*, D.T.E. 99-107 (January 4, 2000).

Sincerely,

Joseph W. Rogers  
Division Chief, Utilities Division

cc: William S. Stowe, Esq.  
Robert Werlin, Esq.  
Service List